

**AN ENDING...A BEGINNING**

## AN ENDING...

Our report represents a year of effort by 27 individuals who have come together from Manteo to Asheville, from private and public lives, from different political leanings and different constituencies to chart a plan for the State's future.

In the process, we have brought in national experts when we felt we needed to hear other perspectives, extensively interviewed hundreds of people in State government, heard the opinions of thousands more who responded to our survey, collected data from sources around the country, and investigated innovative solutions in other states. We have labored hard to distill all this information into six key areas of change and 350 recommendations.

The Government Performance Audit Committee is convinced that our recommendations will lead to improved services as well as significant savings. Potential annual savings amount to approximately \$280 million in fiscal year 1994, growing over the next 10 years as the recommendations are phased in to \$1.5 billion by 2002.

These figures take into account the fact that some recommendations can be implemented immediately, some demand construction or other investment and some require implementation over a period of years. While estimates are by definition imprecise, it is interesting to note that the estimated savings and the projected budget imbalance are roughly equal.

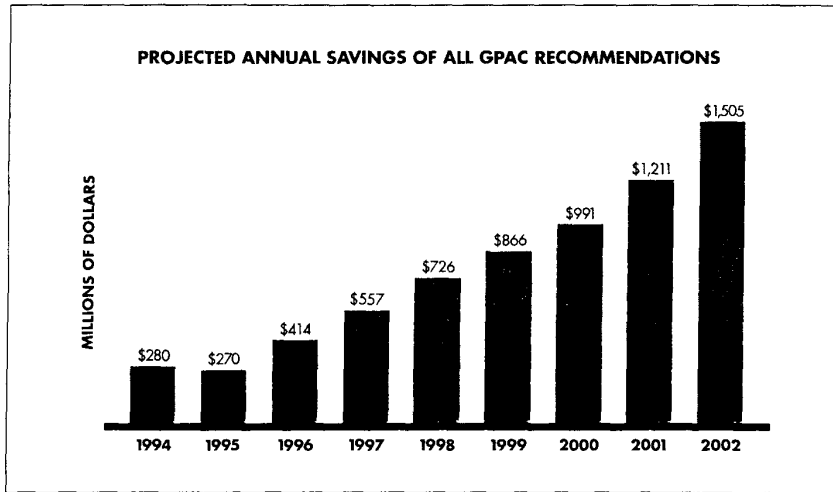
Not all of our recommendations or findings are included in this summary report, which is intended to make our ideas and recommendations accessible and understandable to all interested citizens of North Carolina. Just because you don't see it here doesn't mean that there is no recommendation—or that it's not important. We urge you to consult the more detailed information found in our issue papers and working papers.

What we have here is a wealth of information to help North Carolina attack the challenges ahead. Our Committee recognizes that there is a fragile balance between success and failure in meeting the needs of the poor, the young, the elderly, and the disabled; building up the economy in areas outside the Piedmont; providing safe streets, neighborhoods and communities; and ensuring the best possible education for our children, who represent our future. But with the foresight of the General Assembly and the work of the Committee, we have something that no other state has.

*"Ultimately, the task we have given ourselves is to ask the big question—even if we can do it better, are we doing the right thing?"*

Representative  
Daniel T. Blue, Jr.  
Speaker of the  
North Carolina  
House of  
Representatives

**Our Committee recognizes that there is a fragile balance between success and failure in meeting the State's needs.**



(EXHIBIT 30)

We have a comprehensive plan, including:

- Detailed recommendations which outline for the General Assembly and the public what this Committee believes are the most important problems and opportunities confronting the major departments, programs and agencies of North Carolina.
- Four independently prepared performance audits of the major functions and systems that cut across departmental lines, in the areas of personnel, purchasing, information technology and telecommunications, and planning, budgeting and program evaluation.
- 57 issue papers containing over 900 pages of in-depth analysis of the specific issues deemed most important by our Committee.
- A working financial projection model which can be periodically updated to monitor the State's progress in addressing the budget imbalance.
- A library of work papers collected and prepared throughout this study, which will enable the State to maintain and continue the momentum we have started.

At the same time, the legislative staff has drafted the enabling legislation for virtually every one of our major recommendations. This means that the General Assembly does not simply have another commission's report; rather, it has the statutory tools to begin the process immediately.

With this document, the Government Performance Audit Committee is making our report to the North Carolina General Assembly and the people of North Carolina.

*"These changes are going to have people guarding them. That is why it is going to take a lot of courage, a lot of fortitude. If we get caught up in the special interests, we're dead."*

Senator  
Marc Basnight  
President Pro  
Tempore of the  
North Carolina  
Senate

*"North Carolina is the leader in the country on how to do this. We're the first, and others are looking to us."*

Edward Renfrow  
Former State  
Auditor

The work of our Committee has ended, but on another level, the transmittal of our report represents a beginning. Because whether this report succeeds or fails will depend on what we do with it.

Ultimately, what we are recommending is change. The first stage identifies the changes that are needed: the second stage is making them.

We realize that no plan of action will satisfy everyone. Concessions and compromises will be needed on all sides. North Carolina residents do not want increased property and income taxes, State employees do not want staffing reductions, the business community does not want new business taxes, and citizens and community groups do not want cutbacks in services. All of these groups will need to become more involved with State leadership in debating the choices and making tough decisions.

Because implementation is the key—and it is the responsibility of every one of us. We will not achieve our goals if the State's citizens wait to hear what the General Assembly does with our report. Everybody must sacrifice for everybody to be well off. Everybody has to become involved.

Our Committee sees implementation as a never-ending process of improvement to meet an ever-changing future. In that sense, implementation of the results of the Government Performance Audit Committee should start immediately and establish a process to:

- Set goals
- Develop implementation strategies
- Monitor and evaluate implementation results
- Refine implementation through mid-course corrections
- Stop to take a retrospective look and see if we are heading in the right direction

Our final recommendation, then, is that the process of change for North Carolina government never end. A follow-up process should be implemented, and progress reported regularly to the General Assembly.

For this process to be successful, everyone in State government, from the Governor and members of the General Assembly to managers and employees must adhere to five basic principles. These principles are the foundation of a new code of ethics for managing change. Let us briefly share them with you:

**PRINCIPLE 1: *Mindset.*** To succeed, you must want to succeed. No longer can our leaders or employees tell us why something cannot be done. They must make the internal commitment to what we can do to succeed. They must embrace the historic notion of public service as a noble calling, and dedicate themselves to delivering services to our customers, the citizens of North

*“The key for the State’s ongoing stable outlook will largely be determined by the continued willingness to maintain a reasonable financial equilibrium through rising economic cycles, as well as recessionary periods.”*

Standard & Poors’  
Creditweek  
Municipal  
July 6, 1992

Carolina. And, everyone in government must think like a taxpayer, which means treating public funds with the same care as the family checkbook.

**PRINCIPLE 2: *Continuous Improvement.*** In a world of constant change, the way the State conducts its business must likewise continue to change. Our Committee has observed that the most successful of our State activities are those that continually monitor and modify what they do and how they do it. We call upon everyone in government to commit to a quality of service-based concept of continuous improvement. No longer can any of us shy away from the risks that often accompany innovative practice. Recognizing risks and responding to them is what the future is all about.

**Implementation  
is the key—and  
it is the  
responsibility of  
every one of us.**

**PRINCIPLE 3: *Standards.*** North Carolina has always been a leader in the management of State services. This Committee believes that our historically high standards for service delivery should not be compromised by temporary, or even structural, fiscal strategies. We must commit ourselves to setting high standards for quality services to our citizens; for educational standards which will raise the quality of our public school performance and the preparation of our workforce; for standards which will lead to nationally recognized ways of treating our physically and mentally disabled population outside of institutional walls; for public safety practices that reduce the need to incarcerate such a large part of our population. Once we set these standards, the recommendations in this report can provide the mechanism to achieve them.

**PRINCIPLE 4: *Fundamentals.*** Just as our athletic teams have continually gained national prominence through teamwork, motivation and constant training in offense and defense, good government depends on the basics. It is essential that every one of our State employees, from managers to individuals providing direct services, know and do the fundamentals right. The fundamentals of government include everything from answering a telephone promptly and courteously to doing something accurately the first time so that it doesn't have to be done again.

**PRINCIPLE 5: *Accountability.*** Our Committee has found too often that it is difficult to pinpoint responsibility for the failure—or success—of a State activity. But people run programs, people make decisions, people determine the outcome of what we do and we taxpayers need to know who these people are, not for finger pointing, but to make sure that they have the tools and resources to do what they have to do. Once we give them these tools and resources, we will be able to measure their results and determine if our investment is justified by its return. We want to know who is accountable to the General Assembly and the people of North Carolina for the quality, cost and results of State programs.

The North Carolina Government Performance Audit Committee is committed to these principles and endorses their adoption as a new code of

ethics in State government. We therefore call upon you to join with us in rededicating ourselves to the principles and practices that have enabled North Carolina to succeed.

## A BEGINNING...

This report, our issue papers, performance audits and work papers clearly document the need for fundamental change, innovation and risk taking as North Carolina State government faces the challenges of the 1990s.

Let's not kid ourselves: we have a major problem. Despite the recent brighter economic indicators, North Carolina is facing a period of significant fiscal stress. Despite the General Assembly's commendable efforts, we are still confronting a structural budget imbalance. And yet, our needs continue to grow.

The State's financial crisis cannot be solved with a "business as usual" approach. The fiscal challenges of the next decade demand innovation and flexibility. Old solutions—a little cut in programs here, a small tax increase there—will, quite simply, fail.

But North Carolina *will* meet these challenges, as we have in the past. We *will* improve our system of public education. We *will* enhance the quality of health care of our young, elderly and needy. We *will* achieve economic development throughout the State. We *will* protect all our citizens from danger. We *will* invest in our infrastructure. We *will* meet the dreams and aspirations of our citizens.

Our confidence for the future is based on our success in the past. In planning for where we are going, our Committee has looked back at where we have been. We looked at the past not only to understand our problems, but why we have been so successful. Why are we one of only four states that has maintained a triple-A bond rating? Why do we have a nationally acclaimed system of higher education? Why are we so successful in building partnerships among business, government and our universities?

We have looked at the past, but we haven't lingered. We can't linger, because the world has changed the environment, culture and economy within which the State will operate. The fundamental assumption underlying future management of the State is uncertainty caused by continuous change:

- We don't know what the federal government will need to do to balance its deficit, but we do know that states will need to assume more fiscal responsibility for what were previously federally-funded responsibilities.

*"The budget dilemma that we have been through in the last few years has made us wiser in the budget process and has made us focus harder on some of the things that people want government to do for them."*

Representative  
David H. Diamont  
Pilot Mountain

**Our report and our ethic of implementation are based on a new vision—a vision we will see reflected in our daily lives.**

- We don't know where the money will come from to fund Medicaid services rising at 20% per year, but we do know that we will not abandon our young, elderly or needy.
- We don't know which companies will locate or relocate into our rural and less accessible areas, but we do know that we'll find them.

This report contains the best efforts of 27 citizens and elected officials and our best sense of where the answers lie. Our report and our ethic of implementation are based on a new vision—a vision we will see reflected in our daily lives. It is a vision of a North Carolina where:

*Health facilities are converted to other purposes, not because we're deinstitutionalizing them, but because we've provided proper prenatal care and early intervention to all in need.*

*Businesses choose to locate here, not because of financial incentives, but because we have a world-class, well-trained and hard-working workforce.*

*Every person is able to find work, not at minimum wages in demeaning conditions, but in skilled jobs that pay adequate wages and grant personal dignity.*

*Prisons are closed down, not because we can't afford them, but because we have no use for them.*

*Every child, regardless of family income, geographic location, race, gender or disability, is empowered to live up to his or her own abilities, interests and dreams.*

These recommendations, in the context of what we have said in the Government Performance Audit Committee, *can* make a difference. The choice is up to us.

*"Prove that this survey is more than a waste of paper and do something."*

State Employee  
Survey Response